

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name FAIRPLAIN TOWNSHIP	County MONTCALM
Fiscal Year End 03/31/2006	Opinion Date 09/26/2006	Date Audit Report Submitted to State 09/26/2006	

We affirm that:

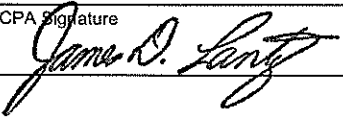
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) JAMES D. LANTZ, CPA		Telephone Number 989-328-1220	
Street Address P.O. BOX 191		City GREENVILLE	State MI
		Zip 48838	
Authorizing CPA Signature 	Printed Name JAMES D. LANTZ, CPA		License Number 1101008540

FAIRPLAIN TOWNSHIP

MONTCALM COUNTY, MICHIGAN

AUDITED FINANCIAL STATEMENTS

MARCH 31, 2006

J A M E S D. L A N T Z
CERTIFIED PUBLIC ACCOUNTANT

P.O. Box 191, Greenville, MI 48838-0191

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J A M E S D. L A N T Z
CERTIFIED PUBLIC ACCOUNTANT

September 26, 2006

Township Board
Fairplain Township
Montcalm County, Michigan

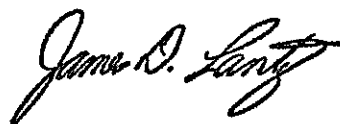
We have audited the accompanying financial statements of FAIRPLAIN TOWNSHIP, Montcalm County, as of and for the year ended March 31, 2006, as listed in the table of contents. These financial statements are the responsibility of Fairplain Township, Michigan, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements conform to the requirements of the State of Michigan. In addition to the statements presented, generally accepted accounting principles require Management's Discussion & Analysis and infrastructure reporting. The omission of these items is considered immaterial to the overall financial statement presentation.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of FAIRPLAIN TOWNSHIP, Montcalm County, at March 31, 2006, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As required by the State Treasurer, a letter of comments and recommendations is included in this report.



REQUIRED FINANCIAL STATEMENTS

FAIRPLAIN TOWNSHIP
Government Wide Statement of Net Assets
March 31, 2006

Primary Government

Governmental Activities

ASSETS:

Cash in bank	\$ 172,335
Due from State	-
Due from other funds	-
Capital Assets - Net	<u>22,622</u>
 Total assets	 <u>194,957</u>

LIABILITIES:

Accounts payable	\$ <u>-</u>
 Total liabilities	 <u>-</u>

NET ASSETS:

Investment in fixed assets	22,622
Restricted - perpetual care	17,913
Unrestricted	<u>154,422</u>
 Total net assets	 <u><u>\$ 194,957</u></u>

See Notes to Financial Statements.

FAIRPLAIN TOWNSHIP
Government Wide Statement of Activities
Year Ended March 31, 2006

Functions/Programs	<u>Expenses</u>	Program		<u>Total</u>
		<u>Revenues</u>	<u>Primary Government</u>	
		Charges for	Governmental	
		<u>Services</u>	<u>Activities</u>	
Primary Government:				
Legislative	64,148	\$ 1,562	\$ 62,586	\$ 62,586
General government	42,515	-	42,515	42,515
Public safety	11,000	-	11,000	11,000
Public works	114,454	-	114,454	114,454
Other functions	<u>5,743</u>	<u>-</u>	<u>5,743</u>	<u>5,743</u>
Total governmental activities	<u>237,860</u>	<u>1,562</u>	<u>236,298</u>	<u>236,298</u>
Total primary government	<u>\$ 237,860</u>	<u>\$ 1,562</u>	<u>236,298</u>	<u>236,298</u>
General Revenues:				
Property taxes		\$ 43,292	43,292	
Licenses and permits		127,373	127,373	
State-shared revenue		1,562	1,562	
Interest and rents		4,669	4,669	
Other revenue		<u>9,331</u>	<u>9,331</u>	
Total general revenues		<u>186,227</u>	<u>186,227</u>	
Change in Net Assets		(50,071)	(50,071)	
Net Assets - beginning		<u>245,028</u>	<u>245,028</u>	
Net Assets - ending		<u>\$ 194,957</u>	<u>\$ 194,957</u>	

See Notes to Financial Statements.

FAIRPLAIN TOWNSHIP
Governmental Fund Balance Sheet
March 31, 2006

	<u>General</u>	<u>Cemetery Perpetual Care</u>	<u>Total Governmental Funds</u>
ASSETS:			
Cash in bank	\$ 154,422	\$ 17,913	\$ 172,335
Due from State	-	-	-
Due from other funds	-	-	-
Capital Assets - Net	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>154,422</u>	 <u>17,913</u>	 <u>172,335</u>
LIABILITIES:			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Total liabilities	 <u>-</u>	 <u>-</u>	 <u>-</u>
FUND BALANCES:			
Restricted		17,913	\$ 17,913
Unrestricted	<u>154,422</u>	<u>-</u>	<u>154,422</u>
 Total fund balances	 <u>\$ 154,422</u>	 <u>\$ 17,913</u>	 <u>\$ 172,335</u>

See Notes to Financial Statements.

FAIRPLAIN TOWNSHIP

Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance For the Year Ended March 31, 2006

	<u>General Fund</u>	<u>Cemetery Perpetual Care</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes	\$ 43,292	\$ -	\$ 43,292
Licenses and permits	180	-	180
State grants	127,373	-	127,373
Charges for services	1,562	-	1,562
Interest and rents	4,669	-	4,669
Other revenue	<u>9,331</u>	<u>-</u>	<u>9,331</u>
Total revenues	<u>186,407</u>	<u>-</u>	<u>186,407</u>
EXPENDITURES:			
Legislative	64,148	-	64,148
General government	42,515	-	42,515
Public safety	11,000	-	11,000
Public works	114,454	-	114,454
Other functions	<u>5,743</u>	<u>-</u>	<u>5,743</u>
Total expenditures	<u>237,860</u>	<u>-</u>	<u>237,860</u>
	-	-	-
Revenues over (under) expenditures before transfers	(51,453)	-	(51,453)
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	(51,453)	-	(51,453)
Fund balance - beginning	<u>205,875</u>	<u>17,913</u>	<u>223,788</u>
Fund balance - ending	<u>\$ 154,422</u>	<u>\$ 17,913</u>	172,335
Change in Net Assets of Governmental Activities			<u>\$ (51,453)</u>

See Notes to Financial Statements.

FAIRPLAIN TOWNSHIP

Governmental Funds
Cemetery Perpetual Care
Statement of Net Assets
March 31, 2006

ASSETS:

Cash and cash equivalents	\$ 17,913
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Total assets	<u>\$ 17,913</u>
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NET ASSETS:

Nonexpendable restricted	\$ 17,913
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Total net assets	<u>\$ 17,913</u>
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See Notes to Financial Statements

FAIRPLAIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity

In accordance with the provisions of GASB Statement 14, these financial statements present Fairplain Township and its component units. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. No component units were identified which, based on this criteria, should be included in this report.

The accounting policies of FAIRPLAIN TOWNSHIP, Michigan, conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant of such policies:

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

FAIRPLAIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 30 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

FAIRPLAIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Capital Assets--Capital assets, which include property, plant, and equipment, are reported in the applicable governmental-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings 40 to 60 years
Building Improvements 15 to 30 years
Vehicles 3 to 5 years
Office Equipment 5 to 7 years
Computer Equipment 3 to 7 years

Fund Equity--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Excess of Expenditures Over Appropriations in Budgeted Funds--During the year, the Local Governmental Unit did not incur expenditures in certain budgeted funds which were in excess of the amounts appropriated.

NOTE 3--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or

FAIRPLAIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than

270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Fairplain Township Board has designated two banks for the deposit of funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority

At year-end, deposits and investments were reported in the basic financial statements in the following categories: Cash and Cash Equivalents

All deposits and investments are bank deposits (checking and savings accounts, certificates of deposit).

Deposits are carried at cost. The balance of all cash and cash equivalents at March 31, 2006, is \$172,335, which is covered by F.D.I.C. insurance. All balances fall within risk category 1 of GASB Statement No. 3.

NOTE 3: FIXED ASSETS:

Changes in general fixed assets are:

Cost:

	Balance 4/1/2005	Additions	Balance 3/31/06
Land & improvements	\$ 22,622	\$	\$22,622
Buildings	90,898		90,898
Equipment	11,527		11,527
	<u>\$125,047</u>	<u>\$</u>	<u>\$125,047</u>

FAIRPLAIN TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Accumulated Depreciation:

	Balance 7/1/2004	Additions	Balance 6/30/05
Land & improvements	\$ 0	\$ 0	\$ 0
Buildings	90,898		90,898
Equipment	<u>11,527</u>		<u>11,527</u>
	<u>\$102,425</u>	<u>\$ 0</u>	<u>\$102,425</u>

REQUIRED SUPPLEMENTAL INFORMATION

FAIRPLAIN TOWNSHIP
 Budgetary Comparison Schedule
 General Fund
 Year Ended March 31, 2006

GENERAL FUND

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Fund balance - beginning	\$ 223,788	\$ 223,788	-
Resources (Inflows):			
Taxes	\$ 37,500	\$ 43,292	5,792
Licenses and permits	-	180	180
State grants	128,000	127,373	(627)
Charges for services	-	1,562	1,562
Interest and rents	-	4,669	4,669
Other revenue	<u>2,000</u>	<u>9,331</u>	<u>7,331</u>
Amounts available for appropriation	<u>167,500</u>	<u>186,407</u>	<u>18,907</u>
Charges to Appropriations (Outflows):			
Legislative	28,700	64,148	(35,448)
General government	76,000	42,515	33,485
Public safety	11,000	11,000	-
Public works	127,500	114,454	13,046
Other functions	<u>5,800</u>	<u>5,743</u>	<u>57</u>
Total charges to appropriations	<u>249,000</u>	<u>237,860</u>	<u>11,140</u>
		-	
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(81,500)</u>	<u>(51,453)</u>	<u>30,047</u>
Fund balance - ending	<u>\$ 142,288</u>	<u>\$ 172,335</u>	<u>\$ 30,047</u>

See Notes to Financial Statements.

JAMES D. LANTZ

CERTIFIED PUBLIC ACCOUNTANT

September 26, 2006

Township Board
Fairplain Township
Montcalm County, Michigan

RE: Comments and Recommendations

We have examined the general purpose financial statements of FAIRPLAIN TOWNSHIP, Montcalm County, for the twenty months ended March 31, 2006, and have issued our report thereon dated September 26, 2006.

Our examination was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions". Solely to assist us in planning and performing our examination, we made a study and evaluation of the internal accounting controls of FAIRPLAIN TOWNSHIP, Montcalm County. That study and evaluation was limited to a preliminary review of the system to obtain an understanding of the control environment and the flow of transactions through the accounting system. Because we are not relying on the entity's internal accounting control procedures to restrict our substantive tests, our study and evaluation of the internal accounting controls did not extend beyond this preliminary review phase. Accordingly, we do not express an opinion on the system of internal accounting control taken as a whole. Also, our examination made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the system of internal accounting control. However, our examination disclosed no conditions that we believe to be a material weakness.

This report is intended solely for the use of management and should not be used for any other purpose.

